PROVINCE OF SASKATCHEWAN

2011

ANNUAL REPORT

EXTENDED HEALTH CARE PLAN FOR RETIRED EMPLOYEES

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Letters of Transmittal

Her Honour, The Honourable Vaughn Solomon Schofield
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the tenth Annual Report of the Extended Health Care Plan for Retired Employees for the year ending December 31, 2011.

Ken Krawetz
Minister of Finance

The Honourable Ken Krawetz
Minister of Finance

Sir:

On behalf of the Joint Board of Trustees, I have the honour to transmit herewith the tenth Annual Report of the Extended Health Care Plan for Retired Employees for the year ending December 31, 2011.

Brian Smith
on behalf of the Joint Board of Trustees

Extended Health Care Plan For Retired Employees

Introduction

The Extended Health Care Plan for Retired Employees was established on January 15, 2002.

The Fund is used to account for the transactions of the Extended Health Care Plan for Retired Employees which provides health care benefits to eligible retired employees of the Government of Saskatchewan.

As at December 31, 2011, participation in the Plan has been approved by the Lieutenant Governor in Council for all government organizations whose employees are employees of the Government of Saskatchewan as defined under *The Public Service Act* and who are members of PS/GE SGEU or CUPE 600.

Joint Board of Trustees

Brian Smith
Ministry of Finance (PEBA)

Kevin Wilson
Ministry of Health

Tracey Smith
Ministry of Health

Bridget McLeod
Public Service Commission

Nathan Hagen
Public Service Commission

Saskatchewan Government and General Employees' Union (SGEU):

Tim Earing

Jack Duvall

Kirk Hogarth

Barry Nowoselsky

Canadian Union of Public Employees (CUPE), Local No. 600:

Jacalyn Luterbach

Joe Murrell

Participating Employers

The following employers participate in the Extended Health Care Plan for Retired Employees:

With respect to individuals who are, or who immediately prior to the termination of their employment were, members of the Saskatchewan Government and General Employees' Union (SGEU):

Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)
Children's Advocate (Office of the)
Enterprise Saskatchewan
Farm Land Security Board
Horned Cattle Fund
Information and Privacy Commissioner (Office of the)
Innovation Saskatchewan
Ombudsman (Office of the)
Prairie Diagnostic Services Inc.
The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*
Saskatchewan Archives Board
Saskatchewan Milk Marketing Board
Saskatchewan Municipal Board
Technical Safety Authority of Saskatchewan

With respect to individuals who are, or who immediately prior to the termination of their employment were, members of the Canadian Union of Public Employees (CUPE), Local No. 600:

The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*

Administration

The Public Employees Benefits Agency has established a fund pursuant to *The Financial Administration Act, 1993* for the purpose of providing benefits under the Plan. A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

Group Medical Services provides insured extended health coverage to eligible retirees.

The Plan pays a premium subsidy to Group Medical Services on behalf of PS/GE SGEU retirees. The Plan's risk is limited to the payment of the monthly premium subsidy as follows under the two year contract effective January 1, 2010:

Single	$14.25	per month
Couple	$28.50	per month
Family	$35.65	per month

Funding

Effective October 1, 2002 funding for the Plan was established a rate of .25% of straight time annual payroll. For the period December 1, 2004 to November 30, 2005, the Government and PS/GE SGEU decided to divert funding to the PS/GE SGEU Benefit Plans' Surplus Fund. This amounted to $1,013,682.

Benefits

All PS/GE SGEU employees meeting the Definition of a Retiree are eligible to enroll in plan.

Definition of Retiree:

A bargaining unit employee, and/or surviving spouse, who on or after October 1, 2000:

a) ceases to be employed in the bargaining unit;

b) is age 50 or more when employment ceases;

c) if ceasing to be employed on or after January 1, 2002, has a minimum of eight years of service with departments, boards, commissions, and other agencies covered by Article 2 of the Collective Agreement;

d) is in receipt of, or eligible to receive a pension or deferred pension from the Saskatchewan Pension Annuity Fund or the Public Service Superannuation Fund;

e) was enrolled and participating in the Extended Health Plan for employees at the time of termination/retirement; and

f) was not terminated for cause.

Claims are paid on behalf of eligible family members and cover certain health and vision care benefits.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Extended Health Care Plan for Retired Employees, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian public sector accounting standards applicable for governments.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Extended Health Care Plan for Retired Employees has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian public sector accounting standards applicable for governments.

A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

We enclose the financial statements of the Extended Health Care Plan for Retired Employees for the year ended December 31, 2011 and the Provincial Auditor's report on these financial statements.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Perry Bahr
Director, Benefit Programs
Public Employees Benefits Agency

Kara Marchand, CMA
Director, Corporate Services
Public Employees Benefits Agency

Regina, Saskatchewan
April 12, 2012

Extended Health Care Plan For Retired Employees

Financial Statements

Year Ended December 31, 2011

Independent Auditor's Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Extended Health Care Plan for Retired Employees, which comprise of the statement of financial position as at January 1, 2010, December 31, 2010 and December 31, 2011, and the statement of operations and net assets and statement of cash flow for the years ended December 31, 2010 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

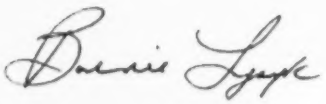
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Extended Health Care Plan for Retired Employees as at January 1, 2010, December 31, 2010 and December 31, 2011, and the results of its operations, and its cash flows for the years ended December 31, 2010 and December 31, 2011 in accordance with Canadian public sector accounting standards.



Regina, Saskatchewan
April 12, 2012

Bonnie Lysyk, MBA, CA
Provincial Auditor

Extended Health Care Plan For Retired Employees
Statement of Financial Position

Statement 1

As At December 31

	2011	2010	January 1, 2010 (Note 3)
FINANCIAL ASSETS			
Due from General Revenue Fund (Note 4)	$8,257,160	$7,214,020	$6,225,816
Contributions receivable	147,387	98,204	97,728
Prepaid expenses	-	1.627	-
	8,404,547	7,313,851	6,323,544
LIABILITIES			
Accounts payable and accrued liabilities (Note 6)	1,545	-	31,085
Net assets and Accumulated Surplus (Statement 2) (Note 2)	$8,403,002	$7,313,851	$6,292,459

(See accompanying notes to the financial statements)

Extended Health Care Plan For Retired Employees
Statement of Operations and Net Assets

Statement 2

For The Year Ended December 31

	2011		2010
	Budget (Note 7)	Actual	Actual
REVENUES			
Contributions (Note 1)	$1,360,000	$1,383,641	$1,326,700
Interest Income (Note 4)	77,000	81,211	41,301
	1,437,000	1,464,852	1,368,001
EXPENSES			
Insurance premium subsidy	360,000	352,517	311,461
Administration (Note 6)	57,059	23,184	35,148
	417,059	375,701	346,609
Annual Surplus	1,019,941	1,089,151	1,021,392
NET ASSETS, BEGINNING OF YEAR	7,313,851	7,313,851	6,292,459
NET ASSETS, END OF YEAR (Statement 1)	$8,333,792	$8,403,002	$7,313,851

(See accompanying notes to the financial statements)

Extended Health Care Plan for Retired Employees
Statement of Cash Flow

Statement 3

For The Year Ended December 31

	2011	2010
Cash flow from (used in) operating activities:		
Contributions received	$1,334,458	$1,326,224
Interest income received	81,211	41,301
Insurance premium subsidies paid	(352,517)	(339,067)
Administration expenses paid	(20,012)	(40,254)
Cash flow from operating activities	1,043,140	988,204
Net increase in due from General Revenue Fund	1,043,140	988,204
DUE FROM GENERAL REVENUE FUND, BEGINNING OF YEAR	7,214,020	6,225,816
DUE FROM GENERAL REVENUE FUND, END OF YEAR	$8,257,160	$7,214,020

(See accompanying notes to the financial statements)

Extended Health Care Plan For Retired Employees
Notes to the Financial Statements

December 31, 2011

1. Description of the Plan

The Extended Health Care Plan for Retired Employees (Plan) was established on January 15, 2002 pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to eligible retired employees of the Government of Saskatchewan who were members of either the Saskatchewan Government and General Employees' Union (PS/GE SGEU) or the Canadian Union of Public Employees', Local 600 (CUPE).

The Public Employees Benefits Agency (PEBA) manages the Plan under direction from the Joint Board of Trustees. The Joint Board of Trustees is made up of equal representation of union members and employers' representatives.

The Government through the Minister of Finance has entered into an agreement with an insurance company to provide eligible retirees with extended health coverage. The retirees are responsible to pay the insurance company the premiums set out in the agreement less a premium subsidy which is paid by the Plan. Currently, only retired PS/GE SGEU members are eligible for the premium subsidy from the Plan. The Plan's risk is limited to the payment of a monthly premium subsidy for eligible retired PS/GE SGEU members. The monthly premium subsidy for the year was $14.25 for a single policy, $28.50 for a couple policy and $35.65 for a family policy.

The Plan covers retirees of employers, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The contribution rate, set out in the PS/GE SGEU collective bargaining agreement with the Government, is 0.25% of the regular pay of current PS/GE SGEU employees. Currently, the Plan receives no contributions for retired CUPE members and does not pay any premium subsidies for these retirees.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards applicable for governments. These statements do not present a Statement of Remeasurement Gains and Losses as the Plan has no remeasurement gains or losses. These statements also do not present a Statement of Changes in Net Assets as the Plan does not hold any non-financial assets. The following accounting policies are considered significant:

a) Contributions

Contribution billings are done at the end of each month. Contributions are recognized as revenue when due.

b) Interest Revenue

Interest is recognized as income when earned.

c) Financial Instruments

The Plan's financial instruments consist of due from the General Revenue Fund, contributions receivable, and accounts payable and accrued liabilities.

Financial assets are measured at fair value. Gains and losses on financial assets are recognized in the Statement of Operations and Net Assets when the financial asset is derecognized due to disposal or impairment.

For due from General Revenue Fund, fair value is determined as cost plus accrued income, which approximates market value.

Loans and receivables and other financial liabilities are measured at cost. Due to their short-term nature, the cost of these instruments approximates their fair value.

d) Use of estimates

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenues and expenses during the period. Key areas where management has made estimates and assumptions include those related to the fair value of financial instruments. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

3. Adoption of new accounting standards

Effective January 1, 2011, the Plan adopted Canadian public sector accounting standards. These standards were adopted with retrospective restatement, and therefore the 2010 comparative figures have been restated. No adjustments were required from the adoption of these accounting standards. The opening statement of financial position in accordance with Canadian public sector accounting standards as of January 1, 2010 has been disclosed for comparative purposes.

In addition, effective January 1, 2011, the Plan early adopted Sections PS 3450, Financial Instruments, PS 2601, Foreign Currency Translation and PS 1201, Financial Statement Presentation on a prospective basis, without restatement of 2010 comparative figures. No adjustments were required from the adoption of these accounting standards.

4. Due from General Revenue Fund

The Plan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Plan's bank account using the Government's thirty day borrowing rate, and the Plan's average daily bank account balance. The Government's average thirty day borrowing rate in 2011 was 1.05% (2010 – 0.60%).

5. Financial Risk Management

The nature of the Plan's operations results in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk) and liquidity risk. The Plan is not exposed to market risk or liquidity risk as it does not hold any investments.

Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from the following distinct sources:

	2011	2010
Due from General Revenue Fund	$8,257,160	$7,214,020
Contributions receivable	147,387	98,204
Prepaid Expenses	-	1,627

The maximum credit risk to which the Plan is exposed is limited to the carrying value of the financial assets summarized above.

The credit risk for short-term investments is managed through a policy that requires investments to meet a minimum investment standard of R-1 as determined by a recognized credit rating agency. The Plan did not hold any investments at December 31, 2011.

The Plan is exposed to minimal credit risk from the potential non-payment of contributions as these are receivables from government agencies and were collected shortly after year end.

6. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Plan by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Related party transactions with the Plan are in the normal course of operations and are recorded at the agreed upon exchange amounts charged by these organizations.

All contributions and contributions receivable are from related parties. Also, in 2011, PEBA charged the Plan $23,184 (2010 – $35,148) for administration expenses. Included in accounts payable and accrued liabilities is $1,545 (2010 – $0) due to PEBA.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

7. Budget

PEBA prepares the budget for approval by the Joint Board of Trustees. The budget was approved on March 22, 2011. Budget figures have not been audited, and are presented for information purposes.